

SMALL BUSINESS LOAN FUND CORPORATION

MINUTES OF THE BOARD OF DIRECTORS

May 26, 2011

PUBLIC SESSION

A monthly meeting of the Board of Directors (the "Board") of the Small Business Loan Fund Corporation (the "Corporation") was held in public session at the offices of the Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island on May 26, 2011 at approximately 9:30 a.m., pursuant to notice of the meeting to all Directors, and public notice of the meeting as required by the By-Laws of the Corporation and by Rhode Island General Law 42-46-6.

The following Directors were present and participated throughout the meeting: Mr. Raymond Fogarty, Mr. Richard DeMerchant, Mr. William Parsons, and Mr. Thomas Stocker.

The following Director(s) were absent: Mrs. Leslie Taito.

Also present were: Sean W. Esten, Corporation Administrator, Steven Noack, Corporation Administrator, Stacy Farrell, Corporation Staff, Susan Morgan, Director of Accounting, Earl F. Queenan, interim Managing Director of Financial Services, and Tom Moses, Legal Counsel, Moses & Afonso, Ltd.

Mr. Fogarty presided over the meeting.

1. Call to Order.

Mr. Fogarty called the meeting to order at 9:33 a.m.

2. Approval of the Minutes of the Meeting Held on April 28, 2011.

The first item to come before the Board was approval of the Public Session Minutes and the Executive Session Minutes of the Board meeting held on April 28, 2011. Mr. Parsons pointed out that on page 5 of the minutes, the notes indicated that Mr. Fogarty was listed as making motion, however he was not present. Mrs. Farrell noted the change to be made. Upon motion duly made by Mr. Parsons and seconded by Mr. Stocker, the motion to approve the Public Session Minutes, with the above mentioned correction, and the Executive Session Minutes of the meeting held on April 28, 2011 was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Mr. DeMerchant, Mr. Parsons, and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mrs. Leslie Taito.

3. Maintain the Executive Minutes of April 28, 2011 Confidential.

The next item to come before the Board was a vote to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on April 28, 2011. Upon motion duly made by Mr. Parsons and seconded by Mr. DeMerchant, the motion to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on April 28, 2011 was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Mr. DeMerchant, Mr. Parsons, and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mrs. Leslie Taito.

4. Report of Cash Position as of April 30, 2011.

Mr. Fogarty asked if the Board had any questions for staff regarding the report of Cash Position as of April 30, 2011. Mr. Stocker referred to the second page of the report regarding the \$45,000 commitment listed for the Micro Loan Fund and asked whether this was an actual commitment. Mr. Queenan indicated that given the poor performance of the micro loans in the current portfolio, staff was no longer underwriting these types of loans. Originally the set aside to fund these loans was set at \$1 million. To date, \$955,000 of that original \$1 million had been used for these types of loans. The remaining \$45,000 was left as uncommitted for this fund. Mr. Moses asked if the Board would like to make a motion to move this uncommitted amount back to the Core fund. There being no further discussion, Mr. Fogarty asked for a motion to be made. Upon motion duly made by Mr. Parsons and seconded by Mr. Stocker, the motion to move the uncommitted \$45,000 to the Core fund was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Mr. DeMerchant, Mr. Parsons, and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mrs. Leslie Taito.

5. Delinquency Loan Report as of April 30, 2011.

Mr. Fogarty asked if the Board had any questions regarding the Delinquency Loan Report as of April 30, 2011. Mr. Queenan indicated that in June the staff would be presenting the Board with an itemized list of loans which would be charged off in addition to the anticipated amount needed to reset the reserve to \$1.0 million. Staff anticipates writing off approximately \$250,000 to \$270,000. Mr. Stocker questioned the presence of Digication on the list again this month. He noted that the prior month it was present due to a reporting error. Mr. Noack indicated that the payment was actually late this month.

In speaking with the Borrower, they work in the school industry and this time of year tends to cause slow payment to them which impacts their cash flow. Mr. Parsons asked why the balance of Inquest Technologies was so high. Mr. Queenan addressed this, reminding the Board that this request was originally for \$750,000 and was done with the approval of the Economic Development Agency, as the Board only has the ability to approve up to \$500,000. Mr. Moses asked if the 30 day threshold for late payment may be to low given the type of portfolio for the fund. Mr. Noack indicated that he felt this to be appropriate as it keeps staff involved early on in the case of a possible default, and encourages dialog in these situations. There being no further discussion Mr. Fogarty asked for a motion. Upon a motion duly made by Mr. Parsons and seconded by Mr. Stocker, the motion to approve the Delinquency Report as presented was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Mr. DeMerchant, Mr. Parsons, and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mrs. Leslie Taito.

6. Employment Reporting update and delinquency

Mrs. Farrell updated the Board regarding the current status of employment reporting. She indicated that compliance as of May 25th was 92%. There are currently five companies working to provide these figures. Current numbers indicate there continues to be a large discrepancy between target employment numbers and actual employment. Additionally, there continues to be improvement over last year with 47 jobs created since 2009. Also, Mrs. Farrell indicated that requests for financial statements were slow to be received. Compliance in the requests for Personal Financial Statements is currently at 50%, and compliance in the request for business financials statements is currently at 63%. Mr. Stocker asked that the printed data be provided for meetings going forward.

There was no further discussion from the Board.

7. Resignation of Earl F. Queenan as Administrator

Mr. Queenan informed the Board that it was his intention to retire at the end of July 2011. In order to make this transition seamless, he asked that the Board accept his resignation and in his place appoint Sue Morgan as the Administrator. Mr. Fogarty thanked Mr. Queenan for his many years of service. There being no further discussion Mr. Fogarty asked for a motion. Upon a motion duly made by Mr. Parsons and seconded by Mr. Stocker, the motion to approve the resignation of Earl F. Queenan was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Mr. DeMerchant, Mr. Parsons, and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mrs. Leslie Taito.

8. Appointment of Sue Morgan as Administrator

Mr. Queenan suggested that the Board appoint Sue Morgan as his replacement in the role of Administrator. Mr. Fogarty asked for a motion. Upon a motion duly made by Mr. Parsons and seconded by Mr. Stocker, the motion to approve the appointment of Sue Morgan as Administrator was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Mr. DeMerchant, Mr. Parsons, and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mrs. Leslie Taito.

9. Annual Financial reporting procedure and Delinquency/Problem Loan procedure

Mr. Stocker suggested that these types of procedural items were to be performed at a staff level and were not necessary to present the Board. The data collected was more appropriate at the Board level rather than the steps involved in doing so. There was no further discussion on this matter.

10. SBLFC Marketing Literature

Mrs. Farrell presented staff's recommendation for marketing literature of the Small Business Loan Fund program. Upon review, there was discussion as to the minimum and maximum loan amounts and where this information is derived from. The matter was given back to staff to research, revise the literature, and bring back at the next meeting of the Board. There was no further discussion.

11. Executive Session

Mr. Fogarty suggested that the Board move into Executive Session. Upon motion duly made by Mr. Stocker and seconded by Mr. Parsons, the motion to move the meeting into executive session pursuant to Rhode Island Open Meetings Law 42-46-5(a)(6) of the General Laws of the State of Rhode Island, as amended, was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Mr. DeMerchant, Mr. Parsons, and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mrs. Leslie Taito.

Public session concluded and executive session began at 10:12 a.m.

12. Executive Session Vote Ratification

Mr. Fogarty called for ratification of the votes adopted during Executive Session. Upon motion duly made by Mr. DeMerchant and seconded by Mr. Stocker, the following votes were ratified:

- (a) To approve the request for a six month extension in the draw period for Design Formations, Inc.
- (b) To approve the request for a \$250,000 loan by Baccala Concrete.
- (c) To approve the request for a \$250,000 loan by Schroff Technologies, Inc.
- (d) To approve the request for a \$250,000 loan by NAIAD Inflatables.
- (e) To approve the request for a \$250,000 loan by Colonial Mills (new loan of approximately \$185,000 in combination with their existing SBLFC financing of \$65,000) subject to additional financing from Colonial's existing lenders.
- (f) To approve the request for a \$250,000 loan by Local Hooker Rods.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Mr. DeMerchant, Mr. Parsons, and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mrs. Leslie Taito.

There being no further business to come before the Board, Mr. Fogarty called for a vote to adjourn the meeting. Upon motion duly made by Mr. DeMerchant and seconded by Mr. Stocker, the motion to adjourn the meeting was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Mr. DeMerchant, Mr. Parsons, and Mr. Stocker.

The following Directors voted against the foregoing: None.

The following Directors were absent for the vote: Mrs. Leslie Taito.

The meeting was adjourned at 11:50 a.m.

Respectfully submitted,

/s/ Sean W. Esten

Sean W. Esten, Administrator

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